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SHANGHAI, CHINA

April 1, 1935.

Commissioner of Customs,
Division of Customs Agents,
Washington, D. C.

Re - Japanese Loans to encourage Poppy Cultivation
in Jehol.

Sir:

Owing to the increased Japanese military activities in Jehol as a result of repeated uprising of Chinese Volunteers and the added menace of floods during the year 1933, production of food stuff and other crops were greatly reduced. During the following year, small loans to encourage farming in the spring (春耕貸款) were made to the farmers under the auspices of the Japanese Jehol Government. These loans were offered at 8% interest per annum on security of their property papers. (Title deeds) In the event the farmer was unable to repay the loan in due time, his property became subject to confiscation.

On the other hand, the Japanese required the farmers to sell their products to them at a price fixed below the current market value. Consequently the farmers in Jehol did not avail themselves of these loans as they could not improve their economic conditions thereby.

In the spring of 1934, another loan was offered to the farmers by the Japanese authorities in Jehol, at the reduced rate of interest of 7% per annum instead of 8%.

Subsequently, in order to encourage the cultivation of opium poppy, another drastic reduction of interest on these loans was made. For those farmers who were engaged in the production of food stuffs, a loan of thirty cents per mu of land was made at 7% interest per annum. But for those who cultivated poppy a loan of \$2.00 per mu of land was made at 273% interest per annum. At the same time, poppy tax which was assessed at \$10.00 to \$20.00 per mu of opium during General Tang Yu-ling's regime, was reduced to \$5.00 per mu. Consequently the farmers who wished to make bigger loans and pay less interest, all resorted to the cultivation of poppy.

The amounts of small loans made by the Japanese to the farmers for the encouragement of poppy cultivation in the various Haien districts of Jehol in 1934 were as follows:-

Cheng-teh	(平 遠)	\$100,000.00
Hing-chuan	(平 遠)	150,000.00
Ling-yuen	(平 遠)	150,000.00
Ling-nan	(平 遠)	100,000.00
Lung-hwa	(平 遠)	100,000.00
Chi-feng	(平 遠)	200,000.00
Chao-yang	(平 遠)	150,000.00
Chien-ping	(平 遠)	100,000.00
Fang-ning	(平 遠)	100,000.00
Wei-chang	(平 遠)	100,000.00
Sui-tung	(平 遠)	80,000.00
Luan-ping	(平 遠)	80,000.00
Total		\$1,410,000.00

Many farmers, who anticipated considerable profit from the cultivation of poppy, found that, owing to the compulsory order requiring them to sell their opium exclusively to the Japanese Dai-Nippon Co., (大日本) at a fixed price which was much below market value, they were unable to make any profit at all. After the harvest, many of the farmers could not repay their loans and their lands were confiscated by the Japanese.

Respectfully,

M. R. Nicholson
Treasury Attaché